

LEGAL TENDER AND FRACTIONAL SILVER COINAGE

*Exchange of notes at Washington March 26 and April 2, 1930,
modifying agreement of June 20, 1904
Entered into force April 2, 1930*

Department of State files

The Acting Secretary of State to the Panamanian Minister

MARCH 26, 1930

SIR:

I have the honor to refer to your aide memoire of December 23, 1929, with respect to the desire of the Government of Panama to recoin its present fractional silver coins to the amount of 125,000 Balboas, par value, into new fractional coins having a par value of \$250,000, and inquiring whether the Government of the United States considers that a deposit of double the amount of the present one, i.e., 37,500 Balboas, or \$37,500, would be required to guarantee the parity of the new coins, and whether the Government of the United States would be willing to modify accordingly the monetary agreement of June 20, 1904,¹ between this Government and the Republic of Panama. You also inquire, in case the modification proposed is agreed upon, whether the agreement could be effected by means of an exchange of notes between the Department of State and the Legation of Panama.

In reply you are informed that this Government will make no objection to the proposed new coinage if suitable provisions are adopted to safeguard the public in the Canal Zone and in Panama from loss or inconvenience and to assure the parity of the new money. To this end it is proposed that the following provisions be agreed upon as modifications of the existing Currency Agreement.

1. That the Republic of Panama shall agree to maintain the parity of its silver coinage with the gold standard by exchanging silver coins for gold or legal tender money and by taking such steps with respect to exchange by drafts upon its reserve fund as will tend to prevent disturbances of the legal parity of the silver fractional currency of the Republic with the Gold Standard.

¹ *Ante*, p. 681.

2. That the reserve fund shall always be maintained at not less than 15 per cent of the nominal value of the silver coinage outstanding; and that provision shall be made for additional deposits from time to time of any amounts necessary to provide funds up to the prescribed 15 per cent of the nominal value of the fractional silver currency outstanding; and that the reserve fund shall be deposited in dollars with a responsible banking institution in the United States as at present.

3. That the new coins be of the same value and size as existing United States coins, so that they can be used interchangeably with United States coins in change machines and in general use without danger of mistaking the value of the coin.

I should be glad to know whether the above proposals meet with the approval of your Government. Upon receipt of a note accepting them on behalf of the Government of Panama, the Government of the United States would consider as duly modified in accordance with the stipulations set forth, the Monetary Agreement of June 20, 1904.

It is assumed that the coinage will be executed as heretofore at the mints of the United States.

Accept, Sir, the renewed assurances of my highest consideration.

J. P. COTTON
Acting Secretary of State

SEÑOR DR. DON RICARDO J. ALFARO,
Minister of Panama.

The Panamanian Minister to the Acting Secretary of State

[TRANSLATION]

WASHINGTON
April 2, 1930

MR. SECRETARY:

I have the honor to acknowledge the receipt of Your Excellency's courteous note dated the 26th of last month, by which and in connection with the question of the coinage of Panamanian fractional silver coins in conformity with Law 62 of 1917 and the modification which it is necessary to make for that purpose in the Monetary Agreement concluded between the United States and Panama on June 20, 1904, Your Excellency is kind enough to advise me that the Government of the United States has no objection to make to the new coinage proposed if adequate measures are taken to safeguard the public in the Canal Zone and in Panama from loss or inconvenience and to assure the parity of the new money. To this end Your Excellency proposes that the following provisions be agreed upon as modifications of the existing Monetary Agreement:

[For text of provisions, see numbered paragraphs in U.S. note, above.]

Your Excellency adds that you will be glad to know whether the proposals quoted above have the approval of my Government and that, on receipt of a note accepting them on behalf of the Government of Panama, the Government of the United States will consider as duly modified in conformity with the stipulations set forth, the Monetary Agreement of June 20, 1904.

Accordingly, I have the honor to declare to Your Excellency that the Government of Panama is entirely in accord with the stipulations proposed by the Government of Your Excellency and that, therefore, the Monetary Agreement of June 20, 1904, is from this date modified in the terms set forth.

With respect to Your Excellency's presumption that the coinage will be effected as previously in the United States mint, I take pleasure in stating that my Government will be glad to avail itself of the good offices of that of Your Excellency in order that the coinage which it plans to effect in conformity with the said Law 62 of 1917 may be executed by the United States Mint, which has always afforded the Republic such valuable and efficient services in this connection.

I avail myself of the opportunity etc.

R. J. ALFARO
Minister of Panama

To His Excellency
JOSEPH P. COTTON
Acting Secretary of State, etc.